

CITY OF SLATER

**Independent Auditors' Report
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings**

June 30, 2015

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CITY OF SLATER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Halverson	Mayor	Jan 2016
Steve Ransom	Mayor Pro tem	Jan 2016
John Kahler	Council Member	Jan 2016
Ken May	Council Member	Jan 2018
Susan Erickson	Council Member	Jan 2018
Ann Sobiech Munson	Council Member	Jan 2018
Mary E. Sprouse	City Administrator/Clerk	Indefinite
Meredith Nerem	City Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater, as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Slater adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Slater's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2006 and the four years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 9 and 25 through 32, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2015 on our consideration of the City of Slater's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Slater's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Slater provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2.6%, or approximately \$36,000, from fiscal year 2014 to fiscal year 2015.
- Disbursements of the City's governmental activities decreased 1.5%, or approximately \$20,000, in fiscal year 2015 from fiscal year 2014.
- The City's total cash basis net position increased 5.2%, or approximately \$112,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$76,000, and the cash basis net position of the business type activities increased approximately \$36,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, resource recovery-landfill and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Tax Increment Financing, Local Option Sales Tax, and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Resource Recovery-Landfill and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased slightly from a year ago, increasing from approximately \$1,416,000 to approximately \$1,492,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	
	Year Ended June 30, 2015
Receipts:	
Program receipts:	
Charges for service	\$ 87,260
Operating grants, contributions and restricted interest	229,870
Capital grants, contributions and restricted interest	17,935
General receipts:	
Property tax	657,018
Tax increment financing	149,119
Local option sales tax	202,651
Other city tax	1,686
Licenses and permits	1,723
Unrestricted interest on investments	1,270
Other general receipts	<u>32,505</u>
Total receipts	<u>1,381,037</u>
Disbursements:	
Public safety	171,010
Public works	180,624
Health and social services	6,383
Culture and recreation	290,248
Community and economic development	48,278
General government	131,534
Debt service	390,490
Capital projects	<u>86,522</u>
Total disbursements	<u>1,305,089</u>
Change in cash basis net position	75,948
Cash basis net position beginning of year	<u>1,415,979</u>
Cash basis net position end of year	\$ <u>1,491,927</u>

The City's total receipts for governmental activities decreased 2.6%, or approximately \$36,000. The total cost of all programs and services decreased approximately \$20,000, or 1.5%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$1,305,000 compared to approximately \$1,325,000 last year. However, as shown in the Statement of Activities and Net Position on pages 10-11, the amount taxpayers ultimately financed for these activities was approximately \$970,000 because some of the cost was paid by those directly benefited from the programs (approximately \$87,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$248,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local options sales tax, tax increment financing, and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities	
	Year Ended June 30, 2015
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 321,450
Sewer	246,145
Resource recovery - landfill	<u>37,242</u>
Total receipts	<u>604,837</u>
Disbursements:	
Water	297,573
Sewer	249,215
Resource recovery - landfill	<u>22,241</u>
Total disbursements	<u>569,029</u>
Change in cash basis net position	35,808
Cash basis net position beginning of year	<u>752,019</u>
Cash basis net position end of year	\$ <u>787,827</u>

Total business type activities receipts for the fiscal year were approximately \$605,000 compared to approximately \$634,000 last year. The cash balance increased approximately \$36,000 from the prior year. Total disbursements for the fiscal year increased 12.3% to approximately \$569,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Slater completed the year, its governmental funds reported a combined fund balance of \$1,491,927, an increase of approximately \$76,000 above last year's total of \$1,415,979. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$70,142 from the prior year to \$629,910. The increase was primarily due to a transfer in of local option sales tax funds. The City intends to use these receipts to help offset future property tax increases.
- The Special Revenue, Road Use Tax Fund cash balance remained virtually unchanged from the prior year.
- The Special Revenue, Tax Increment Financing Fund cash balance remained virtually unchanged from the prior year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$42,651 from the prior year to \$324,247. This increase was due to more local option sales tax dollars received from the State.
- The Special Revenue, Employee Benefits Fund cash balance is \$9,604 due to collection of property taxes for employee benefits. This was the initial year of the fund.
- The Capital Projects Fund cash balance decreased by \$53,587 to \$199,029 due to project disbursements exceeding project receipts for the year.

- The Debt Service Fund cash balance increased \$7,402 to \$130,209. This increase was due to an increase in property tax receipts. Bond principal and interest payments increased \$26,463 in fiscal year 2015.
- The Permanent Fund cash balance remained virtually unchanged from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$23,877 to \$237,499, due primarily to an increase in user charges.
- The Enterprise, Sewer Fund cash balance remained virtually unchanged from the prior year.
- The Enterprise, Resource Recovery – Landfill Fund cash balance increased \$15,001 to \$81,945 due primarily to an increase in user charges.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 11, 2015 and resulted in an increase in operating disbursements of \$16,400. The amendment was primarily the result of disbursements being more than originally planned.

Despite the budget amendment, disbursements exceeded the amount budgeted in the capital projects function due to engineering fees being paid out of capital projects instead of the business type activities.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$1,244,000 of bonds and other long-term debt outstanding, compared to \$1,598,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2015	2014
General obligation note	\$ 506,000	752,000
Water revenue bond	75,000	111,000
Sewer revenue bond	<u>663,000</u>	<u>735,000</u>
Total	\$ <u>1,244,000</u>	<u>1,598,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$506,000 is significantly below its constitutional debt limit of approximately \$4,114,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Slater's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. The City has two sewer expansion projects planned for fiscal year 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Sprouse, City Administrator, 101 Story Street, P.O. Box 538, Slater, Iowa 50244.

CITY OF SLATER
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 171,010	15,587	38,776	-
Public works	180,624	-	154,830	-
Health and social services	6,383	-	-	-
Culture and recreation	290,248	68,548	25,527	17,935
Community and economic development	48,278	-	10,737	-
General government	131,534	3,125	-	-
Debt service	390,490	-	-	-
Capital projects	86,522	-	-	-
Total governmental activities	1,305,089	87,260	229,870	17,935
Business type activities:				
Water	297,573	321,450	-	-
Sewer	249,215	246,145	-	-
Resource recovery - landfill	22,241	37,242	-	-
Total business type activities	569,029	604,837	-	-
Total	\$ 1,874,118	692,097	229,870	17,935

General receipts:

Property and other city tax levied for:

General purposes
Debt service
Employee benefits
Tax increment financing
Local option sales tax
Other city tax
Licenses and permits
Unrestricted interest on investments
Miscellaneous

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable:

Cemetery perpetual care

Expendable:

Streets

Urban renewal purposes

Property tax relief

Debt service

Capital projects

Employee benefits

Other purposes

Unrestricted

Total cash basis net position

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(116,647)	-	(116,647)
(25,794)	-	(25,794)
(6,383)	-	(6,383)
(178,238)	-	(178,238)
(37,541)	-	(37,541)
(128,409)	-	(128,409)
(390,490)	-	(390,490)
(86,522)	-	(86,522)
(970,024)	-	(970,024)
-	23,877	23,877
-	(3,070)	(3,070)
-	15,001	15,001
-	35,808	35,808
(970,024)	35,808	(934,216)
386,522	-	386,522
260,892	-	260,892
9,604	-	9,604
149,119	-	149,119
202,651	-	202,651
1,686	-	1,686
1,723	-	1,723
1,270	-	1,270
32,505	-	32,505
1,045,972	-	1,045,972
75,948	35,808	111,756
1,415,979	752,019	2,167,998
\$ 1,491,927	787,827	2,279,754
\$ 12,066	-	12,066
72,622	-	72,622
114,240	-	114,240
324,247	-	324,247
130,209	125,853	256,062
199,029	-	199,029
9,604	-	9,604
15,767	-	15,767
614,143	661,974	1,276,117
\$ 1,491,927	787,827	2,279,754

CITY OF SLATER
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2015

	Special Revenue				
	General	Road Use Tax	Tax Increment Financing	Local Option Sales Tax	Employee Benefits
Receipts:					
Property tax	\$ 386,522	-	-	-	9,604
Tax increment financing	-	-	149,119	-	-
Other city tax	1,686	-	-	202,651	-
Licenses and permits	1,723	-	-	-	-
Use of money and property	1,445	-	-	-	-
Intergovernmental	70,653	154,830	-	-	-
Charges for service	86,985	-	-	-	-
Miscellaneous	36,717	-	-	-	-
Total receipts	585,731	154,830	149,119	202,651	9,604
Disbursements:					
Operating:					
Public safety	171,010	-	-	-	-
Public works	28,136	152,488	-	-	-
Health and social services	6,383	-	-	-	-
Culture and recreation	290,248	-	-	-	-
Community and economic development	48,278	-	-	-	-
General government	131,534	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	675,589	152,488	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(89,858)	2,342	149,119	202,651	9,604
Other financing sources (uses):					
Transfers in	160,000	-	-	-	-
Transfers out	-	-	(152,000)	(160,000)	-
Total other financing sources (uses)	160,000	-	(152,000)	(160,000)	-
Change in cash balances	70,142	2,342	(2,881)	42,651	9,604
Cash balances beginning of year	559,768	70,280	117,121	281,596	-
Cash balances end of year	\$ 629,910	72,622	114,240	324,247	9,604
Cash Basis Fund Balances					
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-
Restricted for:					
Streets	-	72,622	-	-	-
Urban renewal purposes	-	-	114,240	-	-
Property tax relief	-	-	-	324,247	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Employee benefits	-	-	-	-	9,604
Assigned for economic development	15,767	-	-	-	-
Unassigned	614,143	-	-	-	-
Total cash basis fund balances	\$ 629,910	72,622	114,240	324,247	9,604

Capital Projects	Debt Service	Permanent Fund	Total
-	260,892	-	657,018
-	-	-	149,119
-	-	-	204,337
-	-	-	1,723
-	-	-	1,445
17,935	-	-	243,418
-	-	275	87,260
-	-	-	36,717
17,935	260,892	275	1,381,037

-	-	-	171,010
-	-	-	180,624
-	-	-	6,383
-	-	-	290,248
-	-	-	48,278
-	-	-	131,534
-	390,490	-	390,490
86,522	-	-	86,522
86,522	390,490	-	1,305,089
(68,587)	(129,598)	275	75,948

15,000	137,000	-	312,000
-	-	-	(312,000)
15,000	137,000	-	-

(53,587)	7,402	275	75,948
252,616	122,807	11,791	1,415,979
199,029	130,209	12,066	1,491,927

-	-	12,066	12,066
-	-	-	72,622
-	-	-	114,240
-	-	-	324,247
-	130,209	-	130,209
199,029	-	-	199,029
-	-	-	9,604
-	-	-	15,767
-	-	-	614,143
199,029	130,209	12,066	1,491,927

CITY OF SLATER
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

	Enterprise			
	Resource Recovery -			
	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 321,254	245,129	37,242	603,625
Miscellaneous	196	1,016	-	1,212
Total operating receipts	321,450	246,145	37,242	604,837
Operating disbursements:				
Business type activities	258,243	164,352	22,241	444,836
Total operating disbursements	258,243	164,352	22,241	444,836
Excess of operating receipts over operating disbursements	63,207	81,793	15,001	160,001
Non-operating (disbursements):				
Debt service	(39,330)	(84,863)	-	(124,193)
Total non-operating (disbursements)	(39,330)	(84,863)	-	(124,193)
Change in cash balances	23,877	(3,070)	15,001	35,808
Cash balances beginning of year	213,622	471,453	66,944	752,019
Cash balances end of year	\$ 237,499	468,383	81,945	787,827
Cash Basis Fund Balances				
Restricted for debt service	\$ 39,250	86,603	-	125,853
Unrestricted	198,249	381,780	81,945	661,974
Total cash basis fund balances	\$ 237,499	468,383	81,945	787,827

CITY OF SLATER

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Slater is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, landfill and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Slater has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Emergency Management Commission, Story County E911 Service Board, and the High Trestle Trail Committee.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the local option sales tax receipts.

The Employee Benefits Fund is used to account for taxes levied for employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for projects associated with the pool, bike path, and demolition of old buildings.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Permanent Fund is used to account for funds collected for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund, which includes the Enterprise, Storm Sewer Fund, accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Resource Recovery – Landfill Fund accounts for the per capita charge from using the City of Ames' resource recovery plant.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the capital projects function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF SLATER

Notes to Financial Statements (Continued)

June 30, 2015

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for the general obligation note, and water and sewer revenue bonds are as follows:

Year Ending June 30,	General Obligation Note		Revenue Bonds				Total	
	Principal	Interest	Water		Sewer		Principal	Interest
2016	\$ 251,000	7,758	37,000	2,250	75,000	11,603	363,000	21,611
2017	255,000	3,825	38,000	1,140	77,000	10,290	370,000	15,255
2018	-	-	-	-	79,000	8,943	79,000	8,943
2019	-	-	-	-	81,000	7,560	81,000	7,560
2020	-	-	-	-	84,000	6,143	84,000	6,143
2021-2025	-	-	-	-	267,000	9,450	267,000	9,450
Total	506,000	11,583	75,000	3,390	663,000	53,989	1,244,000	68,962

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$305,000 of water revenue bonds issued in June 2008. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from the water customer net receipts and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 63% of net receipts. The total principal and interest remaining to be paid on the bonds are \$78,390. For the current year, principal and interest paid and total customer net receipts were \$39,330 and \$63,207, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,500,000 of sewer revenue bonds issued in November 2002. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2023. Annual principal and interest payments on the bonds are expected to require more than 100% of net receipts. The total principal and interest remaining to be paid on the bonds are \$716,989. For the current year, principal and interest paid and total customer net receipts were \$84,863 and \$81,793, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds
- (b) Sufficient monthly transfers shall be made to a separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

CITY OF SLATER

Notes to Financial Statements (Continued)

June 30, 2015

(4) Pension Plan (continued)

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2015

(4) Pension Plan (continued)

In fiscal year 2015 pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$27,928.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$173,466. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0043739 percent, which was an increase of 0.0000209 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$12,984, \$9,540 and \$66,155, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounding annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2015

(4) Pension Plan (continued)

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 327,760	\$ 173,466	\$ 43,227

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2015

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 3 active members and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premium is \$911 for family coverage. Currently there are no active members on single coverage. For the year ended June 30, 2015, the City contributed 100% of the plan membership for active members at a cost of \$37,609.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ <u>16,189</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue: Local Option Sales Tax	\$ 160,000
Debt Service	Special Revenue: Tax Increment Financing	137,000
Capital Projects	Special Revenue: Tax Increment Financing	<u>15,000</u>
Total		\$ <u>312,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2015

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Business Incentive Loan Program

During past years, the City has agreed to loan funds to local businesses as part of the City's Business Incentive Loan Program to enhance economic development. Per the agreements, the non-interest bearing loans are to be repaid in monthly installments over a ten year period. The total amount of business incentive loans outstanding as of June 30, 2015, was \$168,137.

(10) Commitment

In 2001 the City entered into an agreement with Jissom, Inc. to develop residential housing in a Tax Increment Financing district (T.I.F.) per the City's Urban Renewal Plan. An additional development agreement was made with Jissom, Inc. in 2004. The 2001 and 2004 development agreements were amended in August 2010. Per the amended 2001 agreement, the City is required to contribute \$55,745 to the City's low and moderate income housing fund (L.M.I.) and owes no further amounts to the Developer. Per the amended 2004 agreement, the total maximum amount of reimbursement available to the Developer is \$558,372. The Developer will receive rebates on a semi-annual basis from the Phase III T.I.F. Fund. The timing and value of the future development is unknown, and therefore, the amount of rebate that will be paid each year is indeterminable. The final rebate payment is scheduled for December 1, 2012. Prior to the final payment, if more than 43.90% of the units in the project area are occupied by low and moderate income families, the Developer will be eligible to receive rebates for an additional three years. The City expects the LMI occupancy rate to reach 43.90% and continue to pay the Developer until December 1, 2015.

(11) Subsequent Events

The City has evaluated all subsequent events through November 25, 2015, the date the financial statements were available to be issued.

CITY OF SLATER
Budgetary Comparison Schedule of Receipts, Disbursements,
and Changes in Balances - Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 657,018	-
Tax increment financing	149,119	-
Other city tax	204,337	-
Licenses and permits	1,723	-
Use of money and property	1,445	-
Intergovernmental	243,418	-
Charges for services	87,260	603,625
Miscellaneous	36,717	1,212
Total receipts	<u>1,381,037</u>	<u>604,837</u>
Disbursements:		
Public safety	171,010	-
Public works	180,624	-
Health and social services	6,383	-
Culture and recreation	290,248	-
Community and economic development	48,278	-
General government	131,534	-
Debt service	390,490	-
Capital projects	86,522	-
Business type activities	-	569,029
Total disbursements	<u>1,305,089</u>	<u>569,029</u>
Excess (deficiency) of receipts over (under) disbursements	75,948	35,808
Balances beginning of year	<u>1,415,979</u>	<u>752,019</u>
Balances end of year	<u>\$ 1,491,927</u>	<u>787,827</u>

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
657,018	639,372	639,372	17,646
149,119	152,000	152,000	(2,881)
204,337	169,350	169,350	34,987
1,723	1,475	1,475	248
1,445	21,900	21,900	(20,455)
243,418	1,311,806	1,311,806	(1,068,388)
690,885	715,530	721,530	(30,645)
37,929	14,686	14,686	23,243
1,985,874	3,026,119	3,032,119	(1,046,245)
171,010	189,437	195,437	24,427
180,624	170,950	180,950	326
6,383	6,000	6,400	17
290,248	325,200	325,200	34,952
48,278	190,250	190,250	141,972
131,534	155,775	155,775	24,241
390,490	391,978	391,978	1,488
86,522	75,000	75,000	(11,522)
569,029	1,692,306	1,692,306	1,123,277
1,874,118	3,196,896	3,213,296	1,339,178
111,756	(170,777)	(181,177)	292,933
2,167,998	1,827,112	1,827,112	340,886
2,279,754	1,656,335	1,645,935	633,819

CITY OF SLATER
Notes to Other Information – Budgetary Reporting
June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$16,400. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the capital projects function.

CITY OF SLATER
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0043739 %
City's proportionate share of the net pension liability	\$ 173,466
City's covered-employee payroll	\$ 285,789
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.70 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF SLATER
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 27,928	25,521	24,893	22,045
Contributions in relation to the statutorily required contribution	<u>(27,928)</u>	<u>(25,521)</u>	<u>(24,893)</u>	<u>(22,045)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 312,747	285,789	287,116	273,172
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
17,620	16,680	14,699	15,423	12,649	13,271
<u>(17,620)</u>	<u>(16,680)</u>	<u>(14,699)</u>	<u>(15,423)</u>	<u>(12,649)</u>	<u>(13,271)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
253,525	250,827	231,480	254,926	219,983	230,800
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

CITY OF SLATER

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the

calculation of the UAL amortization payments for the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

CITY OF SLATER
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation note:			
Refunding Capital Loan	Nov 13, 2012	1.5 %	\$ 1,168,000
Revenue bonds:			
Water	June 11, 2008	3.00 %	\$ 305,000
Sewer	Nov 13, 2002	1.75	1,500,000
Total			

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$	752,000	-	246,000	506,000	11,749	-
	111,000	-	36,000	75,000	3,330	-
	735,000	-	72,000	663,000	12,863	-
\$	846,000	-	108,000	738,000	16,193	-

CITY OF SLATER
Bond and Note Maturities
June 30, 2015

<u>Year</u> <u>Ending</u> June 30,	Revenue Bonds						Total	
	Water			Sewer				
	<u>Issued June 11, 2008</u>			<u>Issued Nov 13, 2002</u>				
	Interest		Amount	Interest		Amount		
Rate		Rate						
2016	3.00 %	\$	37,000	1.75 %	\$	75,000	\$	112,000
2017	3.00		38,000	1.75		77,000		115,000
2018	-		-	1.75		79,000		79,000
2019	-		-	1.75		81,000		81,000
2020	-		-	1.75		84,000		84,000
2021	-		-	1.75		86,000		86,000
2022	-		-	1.75		89,000		89,000
2023	-		-	1.75		92,000		92,000
Total		\$	<u>75,000</u>		\$	<u>663,000</u>	\$	<u>738,000</u>

<u>Year</u> <u>Ending</u> June 30,	General Obligation Note	
	Refunding Capital Loan Note	
	Issued Nov 13, 2012	
	Interest Rate	Amount
2016	1.50 %	\$ 251,000
2017	1.50	<u>255,000</u>
Total		\$ <u>506,000</u>

CITY OF SLATER
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Ten Years

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 657,018	636,871	603,368	585,388
Tax increment financing	149,119	118,557	96,069	91,840
Other city tax	204,337	173,324	173,163	190,193
Licenses and permits	1,723	2,155	2,273	1,693
Use of money and property	1,445	35,968	12,234	1,713
Intergovernmental	243,418	345,972	279,635	179,589
Charges for services	87,260	70,910	89,847	90,551
Miscellaneous	36,717	34,500	17,035	323,482
Total	\$ 1,381,037	1,418,257	1,273,624	1,464,449
Disbursements:				
Operating:				
Public safety	\$ 171,010	132,476	120,989	109,554
Public works	180,624	144,981	201,676	133,450
Health and social services	6,383	728	-	60
Culture and recreation	290,248	305,828	311,877	286,995
Community and economic development	48,278	128,822	70,948	138,578
General government	131,534	133,635	138,953	155,089
Debt service	390,490	363,738	1,040,237	334,182
Capital projects	86,522	114,787	115,961	102,635
Total	\$ 1,305,089	1,324,995	2,000,641	1,260,543

2011	2010	2009	2008	2007	2006
570,813	524,951	506,681	558,301	408,036	378,411
85,850	192,762	184,245	168,120	114,191	152,168
145,433	156,295	173,291	153,485	158,182	138,232
9,801	3,862	2,302	12,557	1,400	2,668
5,530	7,216	9,099	10,001	11,127	6,715
180,724	153,687	328,467	147,336	222,686	191,955
79,137	69,295	70,006	49,159	78,361	77,583
41,464	11,473	55,855	16,727	57,608	32,774
1,118,752	1,119,541	1,329,946	1,115,686	1,051,591	980,506

102,002	96,244	92,814	107,186	91,704	122,105
115,576	121,697	208,753	135,687	131,579	225,450
2,908	6,383	1,777	460	-	2,968
211,353	209,592	223,164	243,194	254,313	510,220
29,344	21,312	9,453	7,376	17,402	-
114,347	115,131	81,978	105,134	220,551	277,547
364,709	335,583	467,647	436,544	172,257	301,751
190,699	327,614	475,512	65,700	250,555	-
1,130,938	1,233,556	1,561,098	1,101,281	1,138,361	1,440,041



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Slater's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Slater's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Slater's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Slater's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiency that we believe is a significant deficiency.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Slater's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Slater's Responses to the Findings

The City of Slater's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Slater's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Slater during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 25, 2015

CITY OF SLATER
Schedule of Findings
Year ended June 30, 2015

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Payroll preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We have added a part-time person to help alleviate these segregation of duties issues and continue to segregate duties as much as possible with the limited staff and resources we have.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2015

Part III: Other Findings Related to Required Statutory Reporting:

III-A-15 Certified Budget – The Council amended the budget in May 2015; however, disbursements exceeded the amounts budgeted in the capital projects function during the year ended June 30, 2015. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Money was allocated in the budget for the sewer project in the sewer fund but paid out of the capital projects fund. Future allocations and payments will be made from the sewer fund.

Conclusion – Response accepted.

III-B-15 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 Business Transactions – No business transactions between the City and City officials were noted.

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-15 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

III-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

III-H-15 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond resolutions were noted.

CITY OF SLATER

Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158

Personnel:

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